



Rule Up For Final Action

New Section

WAC 230-02-101 Cash defined.

Alternative C:

WAC 230-02-101 Cash defined.

ITEM 6(a) on the April, 14, 2006, Commission Meeting Agenda.		Statutory Authority 9.46.070
Who proposed the rule change?		
Monty Harmon, a licensed gambling service supplier.		
Why is this rule change proposed?		
<p>A Petition for Rule Change submitted by Harmon Consulting Inc., was filed at the October 2005, meeting. The Petitioner is requesting that cash be defined in our rules. This new definition of cash would expand the methods players could use to participate in gambling activities and/or receive their winnings.</p> <p>The petitioner has indicated to staff that the intent of the change is to allow patrons to use “guest cards” to purchase pull-tabs and allow pull-tab winnings to be added to “guest cards.” However, if this proposal is approved it would apply to all gambling activities. The petitioner states in his petition the change would modernize the industry and take advantage of current security benefits of prepaid cashless systems.</p> <p>Cash is not specifically defined in our rules; however, cash equivalent is defined in WAC 230-40-552 as follows: “a treasury check, personal check, traveler's check, wire transfer of funds, money order, certified check, cashier's check, a check drawn on the licensee's account payable to the patron or to the licensee, or a voucher recording cash drawn against a credit card or debit card.” This rule became effective May 2000 and provided for additional methods of payment to participate in card games, other than cash or personal check. Although the cash equivalent definition only applies to card games, it has been informally used by staff to clarify the definition of cash as it relates to other gambling activities.</p> <p>The petitioner’s intent is for the “guest card” to be purchased and used by patrons at a licensed business. The “guest card” could be used to purchase food, beverages, pull-tabs, and/or participate in other gambling activities. A patron may add additional funds to the “guest card.” Most importantly, licensees may add a player’s winnings to the “guest card” rather than paying with cash or a check. The “guest card” would be redeemable for cash at anytime. There would be an accounting system associated with this activity to ensure the accuracy of the customer’s “guest card” balance. The system would also provide a “guest card” fund balance to patrons.</p> <p>January 2006, Commission Meeting: At the request of the Petitioner, this rule was held over from the January Commission meeting for Final Action at the February Commission meeting.</p> <p>February 2006, Commission Meeting: Staff’s Alternative to allow gift card and gift certificates was filed at the February meeting (WAC 230-12-050). (See ITEM 8 in the agenda packet). This alternative will be up for final action at the June 16, 2006, Commission meeting.</p> <p>March 2006, Commission Meeting: The Petitioner handed out Alternative C of WAC 230-02-101, copies of gift card receipts from Buzz Inn, and a copy of three businesses’ gift cards (blue paper).</p>		
Statements against the proposed rule change.		
None at this time.		
Which licensees will be directly impacted?		
All licensees.		

What are the potential impacts to the agency?

Staff opposes the Petition for the following reasons:

- 1) This new rule would require the Commission to approve accounting systems, but does not set forth standards for the system.
- 2) The Commission does not currently approve accounting systems. If we begin approving accounting systems, additional regulatory oversight would be required.
- 3) The term “cash” is used in 61 Commission rules and there is no ambiguity on what this term means in these rules, as such there is no need to define the term “cash.”
- 4) The Petition does not contain a dollar limit on gift cards, which could facilitate money laundering (see attached news article on yellow paper).
- 5) Players are more likely to spend additional money gambling at a licensee’s business when a gift card is issued, compared to if cash was given as a prize.
- 6) The term “other cashless systems” is referred to in the Petitioner’s rule. This term contemplates something other than gift cards, but it is not defined or otherwise explained by the Petitioner.
- 7) It would apply to all gambling activities, not just pull-tabs, and would allow winnings to be credited to “guest cards.”
- 8) It is unclear how use the of gift cards, if approved, would relate to pull-tab dispensing devices or other similar devices.

Attachments:

News article regarding money laundering and pre-paid cards.

Attachment A: Memo dated March 30, 2006, from Roshawna Fudge, Policy & Interpretations Staff Attorney

Attachment B: October 2005, Commission meeting minutes.

Staff recommendation.

Staff continues to oppose the petition and recommends the Commission deny the Petition in favor of staff’s alternative (See ITEM 8) which is up for final action at the June 2006, Commission meeting. Staff’s alternative only allows gift cards to be used to participate in gambling activities and does not impact the meaning of “cash” in the Commission’s 61 rules that use the term “cash.”